

# **Solar Renewable Energy Credits**

## **Solar-Renewable Energy Credits**

In addition to the Maryland Clean Energy Grant Program, Solar Federal Income Tax Credits, and selected county Property Tax Credits, Maryland residents and businesses who have installed a solar photovoltaic system can also earn and sell Solar Renewable Energy Credits (SRECs) to help offset the cost of their system.

#### What Are SRECs?

An SREC represents the environmental attributes associated with 1,000 kilowatt-hours of generated solar power. SRECs are traded as financial instruments on markets much the same way as any other commodity such as wheat or gold.

#### **How Are SRECs Used?**

Under Maryland's Renewable Energy Portfolio Standard, companies that sell power in Maryland are required by law to source a certain percentage of their electricity generation from solar power and other renewable energy systems. In order to be in compliance with this law, generators may purchase renewable energy credits from residents and businesses that are generating their own renewable electricity.

Please note that the selling of SRECs is not the same as net metering. Net metering instructs utility companies to provide a credit renewable generators whose systems generate more electricity than they consume from the grid. If a solar PV owner sells their SRECs, the system owner still maintains and enjoys the benefit of all the electricity produced by their system.

### **How Do I Sell SRECs?**

There are several steps a solar PV owner must take before they can realize any financial benefit from selling SRECs. After the solar PV system is installed, the owner must apply to have their PV system certified as a Solar Renewable Energy Facility by the Maryland Public Service Commission (PSC) by filling out a EN71 form.<sup>1</sup>

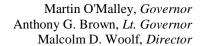
Once the PV system is certified by the PSC, it must be registered with PJM Environmental Information Services and set up as an account with their Generation Attribute Tracking System (PJM-GATS). PJM-GATS is used to track how many SRECs your solar PV system is generating based on estimated or actual monthly electricity production. Residential systems are typically estimated based on PV-WATTS, and larger-scale commercial systems are typically directly metered. In either case, the system must be registered with PJM-GATS in order to sell SRECs.

## Who Will Buy My SRECs?

As with any financial market, there are many different entities that buy and sell SRECs. Demand for SRECs arises from the need of generators to purchase SRECs to meet their RPS compliance requirements. Supply comes from the production of SRECs from solar PV systems.

System owners can sell their SRECs directly in the open market. Alternatively, they can work through SREC Aggregators who purchase SRECs from system owners to bundle and sell to generators. For this

<sup>&</sup>lt;sup>1</sup> More information can be found at <a href="http://webapp.psc.state.md.us/intranet/ElectricInfo/home\_new.cfm">http://webapp.psc.state.md.us/intranet/ElectricInfo/home\_new.cfm</a>





service, aggregators typically charge a commission, much the same way a stock broker would charge commissions on trades.

Owners can enter into different arrangements with aggregators to sell SRECs. Aggregators may offer annual payments similar to an annuity or upfront payments for multiple years worth of SRECs. Some installers also offer aggregation services that can help reduce the upfront cost of a system by reducing the installation costs by the value of the SRECs.

### **Conclusion**

SRECs represent a significant portion of a solar system's financial value. When considering how to sell their SRECs, system owners must balance the market risk of holding their own SRECs with the financial discount associated with selling their SRECs to aggregators. While MEA cannot recommend any particular service, it is important that a system owner learn about their different SREC selling options.